

Building Communities from the Ground Up

Rocky Mountain Institute's Economic Renewal Program

While many distressed communities seek external “saviors” who seldom appear, resourceful communities find remarkable opportunities hiding in plain sight.

In the early 1980s, as Rocky Mountain Institute began to assemble its initial ideas for a more livable and durable future, one idea emerged as Economic Renewal—an approach to economic development that could be used by virtually any community to benefit not just its economy, but also its people and environment.

RMI's Economic Renewal (ER) Project was a progenitor of what later became widely known as “sustainable community economic development.” RMI started by seeking economic-development cases that generated net benefits to its host community, instead of leading to the kinds of negative social and environmental side effects often associated with conventional economic development. RMI researchers were delighted to find all over the country many examples that revealed four principles of Economic Renewal.

1. Plug the Leaks

RMI's favorite ER hero was the municipal-electric-utility manager in Osage, Iowa, who helped his customers shrink their bills. Wes Birdsall sought ways to help his customers buy less of his product — then heresy, now standard practice

among forward-thinking electric utilities.

Eventually nationally known, the Osage program had at least two significant economic benefits: First, buying less electricity freed up ratepayers' disposable income, about \$1 million each year – a dramatic number in a town of 3,600 people – which could recirculate around Main Street rather than going out of town and out of state to pay faraway bond investors and fuel vendors. Second, some of the measures needed to save electricity required hiring local people. Osage had discovered a *previously invisible* opportunity to strengthen its local economic multiplier.

Ratepayers weren't just saving electricity and money; they also were plugging leaks in the local economy by such simple methods as weatherization, replacing inefficient appliances, efficient home and street lighting, tree planting, water-heater jackets, and efficient showerheads. And that was 40 years ago; current technology can save much more. Think about \$1 million multiplied by the 40 years the program has been in place. Then name the conventional economic-development pro who can deliver those goods.

Icing on the cake: Osage residents also reduced their carbon emissions. But Birdsall started the program not for environmental reasons, but rather to avoid the burdensome debt of buying new electric capacity, which would force rate increases. Conservative business practice benefited both the community and the environment.

Osage and many other examples, most unrelated to energy, drove RMI to conclude that leak-plugging was a powerful form of economic efficiency that could be implemented in virtually any community. Examples can be surprising, like the high-school students in tiny Tropic, outside Utah's Bryce National Park, who bottled local spring water for tourists, successfully competing with national sources. Economists call this "import substitution."

For 27 years, Ithaca, New York, has used local currency, Ithaca Hours, now accepted by over 300 local businesses. The currency was started "because we watched Federal dollars come to town, shake a few hands, then leave.... Ithaca Hours, by contrast, stays in our region to help us hire each other." Other leak-plugging successes include local-food production, buy-local programs, local sourcing, local ownership, and the informal economy.

Though leak-plugging makes good sense to virtually every community leader, it runs counter to widely accepted economic-development dogma that focuses entirely on maximizing output — retail sales, housing starts, bushels of grain, tons

of ore, tourist days, yards of fabric—heedless of any negative side-effects such increases might cause. In ER's early days, the vast majority of economic-development professionals (and communities) sought only to maximize output, not develop net gain. That's much like basing your business model on gross sales instead of net profit. This baseless belief remains widespread today.

2. Emphasize Asset-Based Development

Many distressed communities focus on fulfilling their needs and fixing weaknesses. While such efforts can help and may simply be necessary, they are not a long-term strategy. They can be discouraging and may lead to dependence on outside entities. Also, many communities have ostensible shortcomings (e.g. isolation, small size, distance from transportation systems) that can actually be genuine assets. For example, a little town in a remote part the Rockies turned out to have wonderfully clean airwaves for satellite transmission, attracting an online commodity brokerage.

There are many ways a community can exploit its existing assets, such as community development corporations, community-supported agriculture, business networks, buy-local programs, and buyer-supplier networks — all powerful ways to strengthen a local economy from within.

Though the term "asset-based development" was popularized in the

'90s, the idea was central to RMI's early approach. Northwestern University's McKnight and Kretzmann said: "It involves assessing the resources, skills, and experience available in a community; organizing the community around issues that move its members into action; and then determining and taking appropriate action." A few paragraphs below, we'll see how that happened in Carbondale, Colorado.

Every community we know that systematically searched for exploitable assets found hidden treasure. Colquitt, Georgia turned its traditional local harvest of exotic swamp berries into "mayhaw jelly" businesses, hiring local youth to make hardwood boxes for the jelly jars. A Rockies town, stuck with copious water rights for the busted shale-oil boom, repurposed the clean mountain spring water to flush wastes out of Gulf-coast oysters that when purified were profitably resold to big-city restaurants.

3. Build Business by Nurturing Community

Nationwide, cities spend billions attempting to recruit new businesses, most to no benefit. In contrast, RMI's decades of experience in communities pointed to an important conclusion: The most effective way to support existing business and attract new business is to build community and enhance quality of life.

Most entrepreneurs no longer seek a community near a railroad or interstate with cheap labor and loose

environmental regulations. That was decades ago. Instead, desirable businesses want to locate in communities that are creative, fun, affordable, and great places to raise a family with good schools and affordable housing and day-care—places where fulfilled residents are also reliable and competent long-term employees. Therefore, systematically and tangibly nurturing community, including local business, is a powerful way to strengthen the economy.

4. Collaborate to Build the Community and its Economy

Economic development strategies are most successful and durable when they are created and therefore supported by a wide range of community interests. Further, those strategies are most likely to be sustainable when based on the community's values and vision. RMI learned that the word "sustainable" need not be used where it is unfamiliar or unpopular. Rather, if a community begins by identifying its values, then later chooses economic-development projects consistent with those values, including social and quality-of-life factors, then those projects are far more likely to be compatible with the community and its environment.

Therefore, in applying ER, local residents engage many different viewpoints in an inclusive strategic process that:

- Develops a community vision based on local values
- Identifies local assets and resources

- Generates ideas to plug the leaks, build on local assets, and nurture community
- Evaluates those ideas based on their vision
- Develops project-specific action plans

Often, desperate communities take any new business they can get, regardless of its effect on their values. For example, the City Council will do whatever it takes, including bargaining away community principles, to increase sales taxes. Local leaders and their consultants search for some savior company that will solve local problems. But most such efforts are doomed to failure. In contrast, ER leads to a resilient, strategically selected action plan. This path is neither easy nor quick; it requires hard work, patience, and money. But it works and it lasts.

Example: Carbondale, Colorado

In 1986, RMI began beta-testing its new Economic Renewal approach in Carbondale, a nearby Western Colorado community where one coal mine had shut and the other was soon to follow. Its 3,000 residents feared their local economy was frail and vulnerable. But by the following year, local ER participants had identified several project ideas to enhance the local community and its economy.

Several of the original ideas succeeded. Not surprisingly, others fell by the wayside. Still others started, faded, and re-emerged later, sometimes years later. The emerging

projects and, even more importantly, the collaborative process by which locals developed them helped catalyze and nurture the strong foundation upon which Carbondale continues to succeed today. The ideas:

1. **Marketing local artists' products** received strongest support. The concept led to three grants for an artists' survey, a marketing workshop, and an artist directory — all of which led to the December '87 opening of the town's first community art gallery in the old Post Office. Though the arts were not new to Carbondale, ER was the point at which the wider community understood and acknowledged that the arts were an important component of the local economy. Carbondale Arts is now a thriving organization, widely understood as central to Carbondale's success.
2. A public/private **business incentive program** was considered. Later that year, Town Council decided to allow installment payment of municipal fees by new businesses and developers who fulfilled certain criteria. Also, a public/private **rapid assistance team** formed to respond to new business inquiries.
3. A **tourist information service** was created within the Chamber of Commerce, which began to receive funding from town government. Also, the chamber's first director was

- hired, following which **Chamber of Commerce membership** quadrupled. The chamber is now durable and effective.
4. **Extension of the regional bus system** into Carbondale to reduce locals' transportation costs began in '87 as a vanpool. After several fits and starts, it became an important link in the valley-wide mobility system.
 5. **Energy efficiency** efforts had been underway, but ER gave them a boost by initiating Information distribution, weatherization, and low-interest loans administered by a local bank and energy center, the latter of which provided energy services for years after. ER helped create a climate within which another energy-services nonprofit could later succeed. Since 2002, that organization has provided energy-efficiency and renewable-energy services. Also, there are now several conservation and renewable energy programs, nonprofits, and for-profit businesses located in the wider region.
 6. A **natural food co-op store** was explored. Years later, a co-op was created and several additional informal co-ops were started by groups of residents.
 7. **Newspaper recycling** was investigated. Later a recycling center was set up at the town's public works facility.
 8. A **farmers' market** was tested. Though participation waned for

a while, it became a permanent event in the early 2000's.

9. A **buy-local education campaign** was considered. But given the strong sense of community and "buy local" philosophy, it was deemed unnecessary.

Many locals attribute subtler and perhaps more durable benefits to the mobilization and momentum created by Carbondale's ER:

- **Former adversaries began working together** on mutually beneficial programs — a significant breakthrough. For example, the farmers' market was developed primarily by newcomers who were able to integrate it into a traditional harvest celebration.
- Many residents developed a greater **understanding of the importance of local commerce**. For example, the local banker described a resident who moved her small savings from a large urban bank to his bank despite a half-point loss in interest. Also, the local grocer began to sell, and distinctively advertise, locally grown produce.
- A local group succeeded in state designation of the town's primary highway as a **scenic corridor**, local efforts for which included landscaping portions of the highway through town and starting a trail network alongside. A decade later, this effort became the backbone of

state highway capacity, bridge, and roundabout improvements.

Though locals' recollection of the connection between these projects and current activities has faded over the years, Carbondale continues to discuss and approach many of its problems, issues, and assets in the same way it did during its ER program. Thus the deepest, most durable outcome was not projects but process.

Of course, none of these projects suddenly made Carbondale economically successful. However, changes such as those described here were instrumental in renewing the community's economy over time, along with other local efforts and external factors. Carbondale now has a strong economy, which would not have happened without a vibrant, engaged community. Far from being a ghost town, it's widely considered the most vibrant and cohesive community in the valley from Aspen to Glenwood Springs.

RMI did not claim credit for Carbondale's success. If RMI had been perceived as the cause, then future achievements might have been seen as requiring RMI's help or as "owned" by RMI. Rather, RMI organized and catalyzed the capacity and energy that was already emerging. Perhaps the most profound triumph the project achieved was **townspeople knowing that they had done it themselves.**

Based on its test in Carbondale and another in Swannanoa, North Carolina, RMI refined its Economic Renewal approach, and then taught it in 40 states and four other countries over twenty years. In 1997, RMI practitioners wrote *The Economic Renewal Guide, a Collaborative Process for Sustainable Community Development* so that community leaders could proceed without direct RMI support. The Guide was part of a larger ER library that included several casebooks and workbooks. Together, they supported a rigorous but flexible analytic and organizing process that enabled citizens to design a durable local economy from the bottom up.

This work taught RMI that successful community projects seldom proceed neatly from original idea to design to startup to fruition. Usually they proceed in fits and starts. But the underlying requirement for success is community persistence, grit, and determination—attributes many American communities have in abundance.

Over the years, RMI worked with many communities and innovative development professionals. A few examples: Saskatchewan growers built a local value-added processing facility and intensified marketing. Snowflake, Arizona residents rejected a tourism idea to feature nearby ancient-Indian rock art, fearing vandalism. Instead they started a business-mentoring program and a farmers' co-op, and trained local guides for tourists to visit historic polygamist homes. In the tiny Plateau Valley of Colorado, locals

started a local newspaper, upgraded their fairground, and explored alternative crops. The Mountain Association for Community Economic Development used ER in distressed communities that then pursued value-added wood products, downtown development, farmers' markets, tourism, business assistance programs, and art galleries. Alamosa, Colorado dramatically revitalized its downtown, launching alternative crops and fish farming. The town manager said that ER "fired people up" and "helped bring the town together."

Now a new generation of economic distress from collapsing extractive industries stalks communities in the

Intermountain West and far beyond. The principles, processes, and practices pioneered in Carbondale are again starting to reverberate. They still have much to teach us, and we all have much work to do together.

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